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DEMAND and PRICE SITUATION

DPS-5



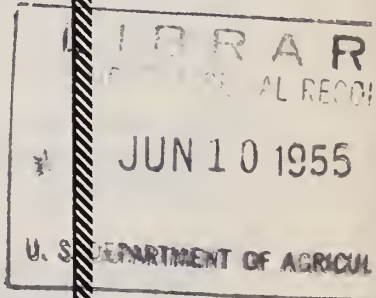
Approved by the Outlook and Situation Board, May 18, 1955

SUMMARY

Consumer income available after taxes rose to record levels with the pickup in economic activity since last fall and is expected to rise further in coming months. Consumers continued to spend about a fourth of their income for food. With higher incomes, sales by retail food stores the first quarter were about 6 percent above January-March 1954. Under the impact of larger supplies, retail food prices in the first quarter averaged slightly lower than a year earlier. Foreign takings of farm products in the first 9 months of the 1954-55 marketing year were 12 percent above a year earlier.

Grower prices in January-April this year averaged 5 percent below the same months of 1954 with average prices for livestock products nearly 12 percent lower. Hog prices were down more than a third during the period in response to a substantial increase in marketings. Crop prices averaged nearly 4 percent higher with sizable gains for potatoes and commercial vegetables. Farmers cash receipts in January-April were down about 5 percent from a year earlier.

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ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1954		1955			
		Year	Apr.	Jan.	Feb.	Mar.	Apr.
Industrial production <u>1/</u>							
Total.....	1947-49=100	125	123	132	133	135	136
All manufactures.....	do.	127	125	133	134	136	137
Durable goods.....	do.	137	134	146	147	148	151
Nondurable goods.....	do.	116	115	120	121	123	124
Minerals.....	do.	111	109	120	123	122	121
Total outlay for new construc- tion <u>2/</u>	Million dollars	37,170	3,027	3,379	3,426	3,431	3,470
Residential.....	do.	13,450	1,040	1,323	1,326	1,326	1,362
Total civilian employment <u>3/</u>	Million	61.2	60.6	60.2	59.9	60.5	61.7
Nonagricultural.....	do.	54.7	54.5	54.9	54.9	54.8	55.5
Unemployment.....	do.	3.2	3.5	3.3	3.4	3.2	3.0
Income:							
Nonagricultural payments <u>2/4/#</u> ...	Bil. dol.	270.7	269.1	275.5	276.2	278.5	
Production-worker payrolls <u>5/</u> ...	1947-49=100	138.2	135.0	141.8	144.0	147.7	
Weekly earnings of production- workers in manufacturing <u>5/</u> ...	Dollars	71.65	70.20	73.97	74.74	75.30	74.77
Durable.....	do.	77.01	75.43	86.16	80.56	81.56	80.97
Nondurable.....	do.	64.58	62.87	66.02	66.36	66.70	65.74
Prices:							
Wholesale prices, all com- modities <u>5/</u>	1947-49=100	110	111	110	110	110	110
Commodities other than farm and food.....	do.	114	114	115	116	116	116
Farm.....	do.	96	99	92	93	92	94
Food, processed.....	do.	105	106	104	103	102	102
Prices received by farmers <u>6/</u> ...	1910-14=100	250	257	244	245	244	247
Crops.....	do.	244	240	248	245	245	252
Livestock and products.....	do.	257	271	240	244	243	242
Prices paid, interest, taxes and wage rates <u>6/</u>	1910-14=100	281	282	283	283	284	284
Items used in living.....	do.	274	273	273	271	273	274
Items used in production.....	do.	252	256	254	256	256	254
Parity ratio.....		89	91	86	87	86	87
Consumer price index <u>5/</u>	1947-49=100	115	115	114	114	114	
Food.....	do.	113	112	111	111	111	
Government purchases of goods and services <u>2/ 7/</u>	Billion dollars	77.5					
Federal (less Government sales).. State and local.....	do. do.	50.0 27.5					

Annual data for the years 1929, 1932 and 1935-54 appear on page 41 of the April 1955 issue of The Demand and Price Situation.

1/ Federal Reserve Board.

2/ U. S. Department of Commerce.

3/ Bureau of the Census.

4/ Monthly totals seasonally adjusted at annual rates.

5/ U. S. Department of Labor, Bureau of Labor Statistics.

6/ U. S. Department of Agriculture, Agricultural Marketing Service.

7/ Quarterly totals seasonally adjusted at annual rates.

Revised series.

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Economic activity expanded further in April and early May, continuing the rise which began last fall. Industrial production in April was close to the record levels in the spring of 1953 and construction activity rose to a new high, 15 percent above April last year. Manufacturers' new orders increased 8 percent in March to a level a fifth above a year earlier with most industries participating in the rise. Accompanying the pickup in economic activity, employment increased by more than a million workers from March to April and consumer income has risen to record levels. With increased incomes, consumer spending held around the advanced first quarter rate, about 7 percent above April 1954. New home building, a third above the early months of 1954, reflects higher incomes, adequate credit and relatively easy financing terms on new housing.

Business investment spending for new plant and equipment is scheduled to rise about 5 percent from the first to the second quarter. Further increases are in prospect according to a recent private survey of business investment plans which point to an increase of 5 percent in capital outlays from 1954 to 1955 and suggest that the rise may carry beyond this year.

Commodity Highlights

Meat production through the first four months of this year was 7 percent above a year ago. The increase in slaughter from last year is slowing, however, and production for the year as a whole is expected to be up about 3 to 4 percent.

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Prices received by farmers for milk during April were above a year earlier for the first time in 2 years. A larger proportion of milk was going into higher priced fluid outlets and manufacturing milk prices were up slightly. Prices are not likely to change significantly through the rest of the year.

Egg production for the next 2 or 3 months probably will continue above a year earlier. Broiler prices are lower than mid-April with the heavier volume of production now coming to market.

Soybean stocks on April 1 were by far the largest on record. Exports through April were at a record of over 41 million bushels, nearly 7 million more than a year earlier.

Corn prices have failed to advance seasonally so far this marketing year. Prices of oats, barley, and sorghum grains are also lower than a year ago. Feed prices probably will continue below a year earlier during the next few months, if prospects continue favorable for 1955 feed crops.

The carryover of wheat on July 1, 1955 is now expected to exceed a billion bushels. This will be a record. The increase in stocks in 1954-55 will be much smaller than in 1953-54.

Supplies of strawberries probably will be larger this year than last. Stocks of 10 major items of canned fruits on April 1 were about 14 percent larger than in April 1954.

Prices received by growers for fresh vegetables during the spring season are expected to average at least equal to those of a year earlier. The total quantity of potatoes harvested in the spring areas may be about 2 percent larger than last year.

Cotton prices declined in March and April, and in April the average price for 15/16 inch Middling slipped below average support. Supplies are record large. If the export market weakens further, carry-over stocks next August may exceed 10 million bales for the first time since 1945.

Prices received by growers for shorn wool at mid-April, the first month of the current marketing season, averaged 48.7 cents per pound, grease basis, 4.9 cents lower than a year earlier.

Auctions for the 1954 Maryland tobacco crop opened on May 3. Market prices for sales through May 17 averaged about 12 cents less than in the corresponding period last season. Prices of practically all grades were lower.

GENERAL BUSINESS CONDITIONS

Economic activity continued upward during March and April in a wide range of industries. Output of mines and factories rose 2 points in March and 1 point in April to 136 percent of the 1947-49 average. The rise in manufacturers' new orders quickened, increasing 8 percent from February to March. Construction activity has shown signs of leveling off in recent months at a near record level with new home starts at an annual rate of 1.4 million units. New starts last year totaled about 1.2 million units. Nonagricultural employment, which usually changes little from March to April, increased by 700 thousand workers as economic activity rose further. A recent private survey of business investment plans for 1955 points to an increase in expenditures for new plant and equipment of about 5 percent from 1954. These plans are somewhat more optimistic than the earlier survey made jointly by the Commerce Department and the Securities and Exchange Commission. Retail sales held near advanced first quarter rates, about 7 percent above April 1954. Auto sales and output continue at a high level. New car inventories are also rising but are still less than one month's sales. Average consumer and wholesale price levels have changed little over the past year.

Consumer Income And
Spending at Record Levels

Personal income payments in March were at an annual rate of 294.2 billion dollars compared with 292.4 in February and 285 in March a year ago. The rise during March was due to increases in wage and salary payments with most of the gain in factory payrolls. Increased employment and rising earnings have contributed to larger personal incomes, and further increases are in prospect for coming months. Consumer purchasing power was bolstered in the first quarter by somewhat more than normal extensions of credit. Total consumer credit outstanding in March was 2 percent above February and 8 percent higher than a year ago. Most of the increase was due to a rise in credit financing of automobile purchases.

Retail sales, after seasonal adjustment, rose slightly from March to a level 7 percent above April last year. Automotive group sales were up slightly from March to around a fifth above April 1954. Sales by retail stores in the January-March period this year totaled about 8 percent above a year earlier. Sales by durable goods stores were up 13 percent, reflecting the sizable gain for automobiles and increased sales by other groups including furniture and appliance and general merchandise stores. Sales by nondurable goods stores rose 5 percent; food store sales were up 6 percent and apparel 4 percent.

Department store sales, seasonally adjusted, rose slightly during March and jumped 5 percent in April to a level 7 percent above a year earlier.

Home Building
Continues High

Residential construction continues to be one of the chief sustaining forces underlying the present expansion in business activity. While the rate of residential building is about a third above levels of a year ago, the pace has leveled out somewhat from the sharp advances registered in the last half of 1954.

New home starts have held close to an annual rate of 1.4 million units in recent months, a record for the period and near peak levels of 1950. April starts, however, were down to a rate of 1.3 million units, 9 percent below March. The recent firming in the money markets, and increased interest rates, may reduce demand for some types of mortgages. Tightening of financing terms on Government assisted loans tends to increase slightly the initial cash outlays by the purchaser. Although these developments may tend to curtail some home building activity, current demand prospects and construction awards point to a continued high rate of residential construction in coming months.

Business Investment
Prospects Improve

Business expenditures for new plant and equipment leveled off in the first quarter and are scheduled to rise by about 5 percent in the second quarter. A recent joint survey by the Department of Commerce and the Securities and Exchange Commission taken in February and early March indicated a leveling off in business investment at the second quarter rate with total outlays for the year up 1 percent from 1954.

A more recent private survey, which usually includes the larger companies in an industry, points to an increase in business investment of 5 percent from 1954 to 1955. The survey also indicates that the rising trend in capital outlays may carry beyond 1955. Commercial companies which include the trade, finance, construction and service industries plan an increase in investment outlays of 15 percent. Largest increases among manufacturing industries were indicated for primary metals (nonferrous metals and iron and steel). Food companies plan a 10 percent increase, chemical companies a 7 percent increase and textile companies 5 percent larger capital outlays. A sizable reduction in new investment is scheduled for the auto industry where major model changes were made last year. Beverage companies also plan substantially smaller investment outlays.

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Inventory Decline
Halted

Business inventories rose slightly during the first quarter of this year after declining for more than a year. Both manufacturing and wholesale inventories turned up slightly in February and were unchanged in March after seasonal adjustment. The value of retail inventories rose slightly during March, reflecting primarily a further rise in dealer holdings of passenger cars, which continued to come off the assembly lines at a record pace. Reduced inventory levels and prospects for further increases in economic activity suggest the possibility of some increase in business inventories.

Commercial Construction
Activity at Record Levels

Private non-residential building continues to advance. Expenditures so far this year have been 17 percent above a year ago. Greatest gains have been in stores, restaurants, and garages, religious buildings, and public utilities--types of construction that are complementary to the boom in new housing, particularly in suburban development. Industrial construction, though down slightly from March, failed to show the usual seasonal decline of recent years and has risen substantially from last fall.

Government Demand
Steady

Government spending for goods and services rose slightly in the first quarter as outlays for national security programs stabilized and expenditures by state and local governments continued to rise. State and local Governments still have a heavy backlog of recognized school and highway needs. Public non-residential building, which includes schools, hospitals and other institutional facilities, increased 7 percent in April but so far this year is still about 7 percent below a year ago. School construction, however, is 16 percent above the first four months of last year. Highway building picked up seasonally in April and so far this year is up about 5 percent from last. Total public construction rose 16 percent from March to April but in the first four months of this year totaled 3 percent below a year earlier. Further seasonal increases in public construction outlays are expected in coming months.

Agricultural Exports

Through March of this fiscal year, the value of agricultural exports was 2.4 billion dollars, exceeding the previous year's level by 12 percent. Increases were registered in most major commodity groups, with the largest gains in cotton, cottonseed, lard, wheat, barley and grain sorghums. However, estimates by the Foreign Agricultural Service indicate that a sharp drop in exports of wheat, cotton, and tobacco during April will bring total exports through 10 months of the fiscal year to about \$2.6 billion or only 9 percent above last year.

The Foreign Operations Administration has completed authorization for more than the 350 million dollars of surplus commodities it is obligated to sell for foreign currencies during the current fiscal year. Expenditures for shipments under this program through the end of March amounted to 90 million dollars. Under Title I of the Agricultural Trade Development and Assistance Act (PI 480) program providing for the sale of commodities having a market value of 168 million dollars (CCC cost 220 million dollars) were announced through May 13, with sales by U. S. exporters totaling 60 million dollars. Additional programs having a market value of 230 million dollars (CCC cost 280 million) are being negotiated. Moreover, through the end of April, commodities valued at approximately 75 million dollars were made available on a grant basis under Title II of this Act to meet famine and other emergencies abroad. Including other FOA programs and straight commercial transactions, CCC commodities valued at 723 million dollars had been committed for export through March of the current fiscal year. In addition, through March of the current fiscal year, donations by the Department of Agriculture for the relief of needy persons abroad have absorbed 157 million dollars of surplus agricultural commodities (mainly dairy products)--more than double the amount donated during all of the previous year.

Industrial Output and Employment

Production of the Nation's factories and mines rose further in April, nearly reaching the record output levels in the spring of 1953. The Federal Reserve Board's index of industrial production rose one point to 136 (1947-49=100) in April, making a gain of about 11 percent since the low last August.

Production of durable goods continued the rise which began last fall and by April the index was at 151 percent of the 1947-49 average, 13 percent above mid-1954 and 4 percent below the 1953 peak. Output of motor vehicles exceeded the record March level as passenger car production rose slightly and truck output advanced sharply. Steel mills increased their operations to 93 percent of capacity in March, to 95 percent in April and so far in May operations have been above 96 percent of capacity.

Steel output has been buoyed by heavy orders from most steel consuming industries. Activity in some types of industrial machinery and farm equipment expanded further in April as did the output of other types of producers' equipment, building materials, and major household durable goods.

Production of nondurable goods rose slightly further in April reflecting mainly gains in output of chemicals, rubber and leather products. Petroleum refining operations declined somewhat in March and April from the peak rates reached at the end of February. Production of minerals advanced sharply in the first quarter but crude oil output leveled off in March and April as industry stocks mounted. Crude oil output rose further in May and continues above last year's level.

Table 1.- Indexes of production of selected industry groups and items for selected months, 1953-1955 with comparisons, adjusted for seasonal variations

(1947-49=100)					
Industry group	:	:	:	April 1955	
				:percentage change from	
		April	July	July	
		1955	1954	1953	July 1954 : July 1953
Industrial production	:				
Total.....	:	136	123	137	10.6 - 0.7
Durables.....	:	151	134	157	12.7 - 3.8
Primary metals.....	:	139	103	136	35.0 2.2
Metal fabricating.....	:	160	147	171	8.8 - 6.4
Nondurables.....	:	124	114	121	8.8 2.5
Textiles and apparel....	:	109	98	111	11.2 - 1.8
Foods, beverages and tobacco.....	:	108	105	107	2.9 .9
Major consumer durables...	:	162	126	152	28.6 6.6
Autos.....	:	190	127	164	49.6 15.9
Household goods.....	:	140	127	143	10.2 - 2.1

Manufacturers' Orders Sharply Higher

Manufacturers' new orders are one of the brightest spots in the economy at the present time. They have been rising rapidly since November with no signs of leveling off as yet. Orders in March increased 8 percent over February after seasonal adjustment and were more than a fifth above a year ago. Machine tools show the sharpest gain since last November. While all types of industries are sharing in the increase,

largest relative gains have been among the durable goods industries. The recent spurt probably reflects in part the upward revision in corporate capital expenditure plans. Unfilled orders rose about 1 billion dollars during March, the largest increases occurring in nonelectrical machinery and primary metals.

Manufacturers' sales have been advancing at a moderate pace during recent months and the increases have been general over most durable and soft goods industries. Sales totaled 26 billion dollars in March after seasonal adjustment, up 5 percent during the month and a tenth above March of last year. Sales at present are running at the highest levels since the mid-1953 peaks. A more rapid rise in manufacturers' sales may be expected in coming months in response to the sharp upturn in new orders.

Employment Up 1.2 Million In April

Employment rose to 61.7 million in April, 1.2 million above March and 1 1/2 million larger than in January. The civilian labor force increased by a little more than a million workers to 64.6 million in April. Thus unemployment declined by about 200 thousand to a total of 3 million in April. After adjustment for seasonal variations, unemployment held steady between 2.8 and 3.0 million in the first 4 months of this year, around 200 thousand below the January-April average of 1954. In late April the number of idle workers drawing unemployment compensation was 1.5 million, or 700,000 below a year ago.

Nonagricultural employment, which usually changes little from March to April, increased by nearly 700 thousand workers as economic activity expanded further. At 55 1/2 million workers, nonagricultural employment in April totaled a million larger than a year earlier. Factory employment rose 40,000 counter to the usual decline during April. The average factory workweek showed about the usual seasonal decline during April but was 1.2 hours above April of last year. Hours of work rose contraseasonally in some rapidly expanding industries such as primary metals, machinery, and stone, clay and glass.

Farm employment increased seasonally in April as spring field work got underway in many areas. Compared with a year earlier, total farm employment in April was down about 5 percent, reflecting in part the long-time trend. Farm wage rates for hired workers averaged about 2 percent above last year except in the West South Central area where unfavorable crop prospects may have held down increases.

Commodity Prices Steady

Wholesale commodity prices in general continued virtually unchanged during April with only fractional fluctuations during the past year from the index of 110 percent of the 1947-49 average. The slight

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advance, 0.5 percent during April over March reflected small gains in average prices for farm products and processed foods. Prices of nonagricultural commodities remained virtually unchanged.

The more sensitive index of 22 basic commodities on May 12 at 89, (1947-49=100), was 3 points below a year ago. Only metals and industrial commodities were above a year ago. Fats and oils were down about 14 percent, foodstuffs 17 percent, and livestock about 20 percent from early May 1954.

The consumer price index, at 114.3 percent of the 1947-49 average, remained unchanged in March for the fourth consecutive month, slightly below a year ago. Prices for food and personal care averaged unchanged during March. Housing costs were also unchanged as slight increases in rents, utilities and household operation were offset by lower average prices for housefurnishings. Charges for medical care and recreation rose slightly. Prices paid by farmers for family living items rose slightly from March to a record high for April. Higher prices for fruits and vegetables were largely responsible for the rise.

Prices Received and Paid by Farmers

The Index of Prices Received by Farmers rose 3 points to 247 from mid-March to mid-April. Higher prices for meat animals, potatoes and strawberries were only partially offset by lower prices for eggs, milk and tomatoes. The average was 4 percent below April a year ago with lower prices for hogs and feed grains mainly responsible for the decline.

Prices paid by farmers for commodities, interest, taxes and wage rates (the Parity Index) was unchanged over the month ending mid-April at 284 percent of the 1910-14 average. Small advances over the month in prices of family living items offset lower average prices for production goods and wage rates. Average prices for feed, feeder livestock and fertilizer declined slightly from March to April. With the small rise in the Index of Prices Received by Farmers, the Parity Ratio rose one point to 87 in mid-April, about 4 percent below a year earlier.

Central market prices for several major farm products declined moderately from mid-April to the second week in May. Prices of slaughter steers and cows at Chicago averaged around 6 to 7 percent lower. Prices of hogs, eggs and broilers also declined slightly. Maine Katahdin potato prices at New York dropped nearly a fifth; they have been fairly erratic in recent weeks. Prices of wheat and cotton rose slightly from mid-April to the second week in May.

FARM INCOME

Farmers received approximately 8.2 billion dollars from marketings in the first 4 months of 1955, 5 percent less than last year. Average prices were 5 percent below 1954 and the total volume of marketings was about the same. Receipts from livestock and products were around 5.1 billion dollars, 8 percent less than a year ago. Most of this decline was due to lower prices of hogs. Crop receipts totaled about 3.1 billion dollars, slightly above the comparable period in 1954, mostly because of increased marketings of soybeans and higher prices of vegetables.

Total cash receipts in April were around 1.9 billion dollars, down seasonally from March and slightly below April of 1954. Cash receipts from livestock and products in April were around 1.3 billion dollars, about the same as in March and 5 percent below a year ago. Prices of hogs, calves, sheep and lambs were all lower than last year. Crop receipts were 0.6 billion dollars, about 7 percent less than in the previous month, because of seasonally smaller marketings. However, they were 6 percent above April of last year, largely because of higher prices for most vegetables.

LIVESTOCK AND MEAT

Total output of meat this year will register its fourth increase in a row and attain a new high. Pork output will be up most. About 18 percent more hogs were slaughtered commercially in January-April than last year, providing the major part of a 7 percent gain in outturn of all meat during the period. Slaughter of hogs for the rest of 1955 will continue greater than last year but the percentage increase will be less than recently. Cattle slaughter for the same period will average as large or larger than last year. For all of 1955, total meat output is expected to be 3 to 4 percent above last year.

The production uptrend is slowing, however. Hog producers in 6 States, who had made a 20 percent increase over a year earlier in December-February farrowings, reported on March 1 their plans for only a 3 percent increase in March-May and a 2 percent decrease in June-August. But the total fall crop (June-November) for the United States may be a little larger than last year. A prospective small rise is indicated by the larger acreages of feed grains to be planted this year and by the considerable seasonal rise in hog prices expected the remainder of this spring and in early summer.

Cattle production trends are virtually at a standstill, though the 10 percent more cows slaughtered in January-March this year than last suggests the possibility that a moderate downtrend in the cattle inventory may be commencing. But cattle feeding is at all-time record volume, having increased in response to favorable price margins realized in 1954. Under the influence of large marketings, prices of fed cattle will average lower the rest of the spring and early summer than in February to April. A seasonal strengthening is likely later in the summer. Prices of cattle off grass will likely decline seasonally during the summer.

The usual summer decline in prices of lambs is in prospect, but it probably will be less severe than last summer.

DAIRY PRODUCTS

Total milk production in the first 4 months of 1955 was 1.2 percent smaller than a year earlier. The January-March output was down 1.6 percent but output in April was nearly equal to that of a year earlier. The number of cows on farms continues under that of a year earlier. Milk production for the rest of calendar 1955 probably will be around that of a year earlier, with some months probably showing slight increases. The total for the year may not be greatly different from the 123.5 billion pounds of 1954.

Expanding consumer incomes since last fall, some change in merchandising methods, the special school milk and other domestic distribution programs, together with slightly lower retail prices for dairy products, have induced a rise in consumption of milk and dairy products. Consumption of fluid milk in the early months of this year was running 4 percent greater than a year earlier in selected Federal order markets.

With less milk production and larger consumption in fluid form, the total quantity of milk available for manufacturing has continued below that of a year earlier. Output of butter in recent weeks, though not showing the decrease that prevailed earlier in the year, has still been 5-10 percent under that of a year earlier. As a result, the quantity sold to the Department of Agriculture under the price-support program in recent weeks has been well below that of a year earlier.

Wholesale and retail prices of dairy products have been stable the last year. Major adjustments occurred following the reduction in support level for milk and butterfat as of April 1, 1954. Prices are now about the same as a year earlier. Gross marketing margins have been wider than they were before April 1, 1954 for fluid milk but narrower for manufactured dairy products.

Prices received by farmers for milk in April were above a year earlier for the first time since April 1952. The increase resulted from the higher proportion of milk being used in bottled outlets and a slight increase in prices of manufacturing milk. The rise for manufacturing milk reflects the slight increase in the buying prices for cheese and nonfat dry milk in July 1954 in order to assure farmers the announced support prices.

In view of the prospective supply situation, prices to farmers are not likely to change significantly through the rest of 1955.

POULTRY AND EGGS

Farmers' prices for eggs declined from an average of 39.7 cents in mid-March to 35.9 cents in mid-April and country paying prices in Iowa declined slightly further by early May. As is usual during the spring, current production was larger than current consumption, and there was considerable storage in the shell and in frozen form.

Egg production for the next 2 or 3 months is likely to continue above a year earlier, since the number of layers on farms May 1 was up 3 percent. But by late summer there will be fewer birds in the laying flock, reflecting the 19 percent decrease from 1954 in the number of young chickens on farms May 1. As a result of this decrease in the number of replacement chickens being grown, monthly egg production in the last 3 or 4 months of 1955 may be 5 percent or more below 1954.

Broiler prices, which declined from 29.4 cents per pound in mid-March to 28.6 cents in mid-April, have declined further because of the larger volume of production coming to market. Slaughter in January-March came from earlier chick placements which averaged 18 million weekly in 22 important states. Mid-May slaughter was from placements averaging $19\frac{1}{2}$ million weekly. Placements in late April ran above 21 million per week, and to the middle of May continued at a similar high rate. In the 13 areas where year-ago comparisons were possible, early May placements were slightly larger than last year. On the basis of eggs in incubators, placements are likely to continue high for several weeks more.

Sales of turkeys by farmers are at a seasonally low volume, but reported prices in wholesale markets indicate an appreciable increase for heavy toms and a slight increase for other turkeys since January. The U. S. average price received by farmers was 29.1 cents per pound in mid-April, compared with 33.1 cents in April 1954. On the basis of

hatchings through April and eggs in incubators on May 1, the output of heavy breed turkeys this year will be slightly below last year while production of light breed turkeys may be one-fourth to one-third below 1954.

OILSEEDS, FATS AND OILS

Soybean prices declined somewhat in the past month, but still are moderately above support. Stocks as of April 1 totaled 177 million bushels, by far the most of record. The movement off farms was comparatively slow during the first half of the marketing year, although there may have been some pickup during the past month. As of mid-April, 6 million bushels of the 41 million placed under support programs had been redeemed. Soybean meal prices continue to decline and in mid-May were the lowest in many years. Soybean oil prices have remained relatively stable and are much lower than a year ago. Exports of soybeans through April are estimated at a record level of over 41 million bushels, nearly 7 million more than a year ago.

Sufficient cottonseed oil has moved into CCC hands to tighten up prices to a point where tenders have just about stopped--at least temporarily. The increased tenders during the past month reflected weakness in meal prices. Tenders of cottonseed oil through May 11 totaled about 183 million pounds crude basis, equal to slightly more than 10 percent of the estimated crop year output.

The export market continues to be a major factor in prices of lard and tallow and greases. Exports of these fats in October 1954-March 1955 (the latest period for which data are available) comprised 27 and 43 percent, respectively, of total disappearance. Lard prices are far below a year ago, reflecting much bigger supplies. Tallow prices are about the same as last year.

The President on May 16 removed the import quota for shelled peanuts through July 1955 but continued the 2 cent per pound fee. This is in addition to the duty of 7 cents per pound prescribed by the Tariff Act of 1930. The action was taken to offset reduced supplies as the 1954 crop was reduced sharply by drought.

CORN AND OTHER FEED

Prices of feed grains have been comparatively stable during the past 2 or 3 months, while prices of most of the high-protein feeds have declined. In April prices received by farmers for feed grains averaged

6 percent lower than in April 1954; prices paid for feeds purchased, 5 percent lower; and wholesale prices of high-protein feeds, 24 percent lower. Feed prices probably will continue lower than a year earlier during the next few months, if prospects continue favorable for 1955 feed crops. Feed crop prospects were generally favorable in early May, especially in the main producing area of the midwest.

There has been no seasonal increase in corn prices so far this marketing year. In mid-April the average price received by farmers was \$1.36 per bushel, 9 cents lower than a year earlier, and well below the national average support level. Prices of oats, barley, and sorghum grains also are lower than a year ago, but are well above the announced supports on the 1955 crops of these grains. If yields this year are average or above, prices of these grains probably will decline this summer to a level more in line with the lower support prices on the 1955 crops.

During the first half of the 1954-55 feeding season, domestic disappearance of feed grains was about 5 percent smaller than a year earlier and the smallest since 1947-48. Record stocks of feed grains remained on hand April 1, 11 percent above the big stocks of last year. Over 40 percent of the April 1 stocks were either under loan or purchase agreement or were owned by CCC. Disappearance of feed grains may be a little larger during April-September this year than last, but a record carryover of feed grains into 1955-56 is now practically assured. The corn carryover next October 1 probably will total around one billion bushels compared with the 920 million last year. Much larger carryover stocks of oats, barley, and sorghum grains are in prospect. A major part of the big carryover will be under loan or owned by CCC.

WHEAT

The carryover of wheat on July 1, 1955, is now expected to be a record of about 1,030 million bushels, based on April 1 stocks and probable disappearance for April-June. This is about 125 million bushels more than the record large carryover on July 1, 1954, but the smallest increase in carryover since 1952-53, when the buildup in stocks began. Stocks in prospect next July, exclusive of the 1955 crop, would be more than enough to take care of domestic disappearance and exports for a year, and leave a small carryover--exclusive of the 1955 crop.

The winter wheat crop was forecast at 653 million bushels as of May 1. The first estimate of spring wheat production will be made June 10. If farmers plant the spring wheat acreage indicated by their March 1 intentions, and yields are average, the crop would be about 177 million bushels. These add to an all-wheat total of 830 million bushels. Such a crop would be 14 percent below the 1954 crop of 970 million bushels. Since domestic disappearance and exports in 1955-56 may total about 900 million bushels, a reduction in the carryover July 1, 1956, is possible.

FRUIT

Supplies of 1954-55 crop oranges remaining to be marketed after May 1 are somewhat larger than a year earlier, while those of grapefruit are smaller. Although utilization of Florida Valencia oranges by processors was relatively light in March and early April as a result of delayed maturity of the fruit, movement increased rapidly in late April and is expected to run heavy in May and early June, going mostly into frozen concentrate. All of the Florida grapefruit crop is expected to be utilized this season. In 1953-54 when the crop was much larger, about 1,300,000 boxes were not used because of low prices. In early May grower prices for Florida grapefruit and auction prices for California oranges averaged somewhat above corresponding prices in 1954. But grower prices for Florida oranges averaged a little lower.

Because of a near-failure of the peach crop in the Southern and South Central States from freezes in early spring, supplies of fresh peaches in June and July are expected to be lighter than in these months of 1954 and will come mostly from California. Supplies of strawberries, mostly from California and the late spring States, probably will be larger.

Production of frozen orange concentrate in Florida through May 7 of the 1954-55 season was about 50 million gallons, nearly 5 million under comparable output in 1953-54, when the season was more advanced. Cold-storage stocks of frozen orange juice on May 1, 1955 were slightly larger than a year earlier. In Florida, the total pack of canned citrus juices by May 7, 1955 was 13 percent smaller than a year earlier. But stocks were 8 percent larger.

Packers' stocks of 10 major items of canned fruits were about 14 percent larger on April 1, 1955 than those of a year earlier which were somewhat above the average of recent years. Cold-storage holdings of frozen fruits (excluding juices) were about 6 percent larger on May 1, 1955 than on that date in 1954.

COMMERCIAL VEGETABLES

For Fresh Market

Shipping point prices for a number of fresh vegetables slipped down in the latter part of April from the level which prevailed earlier in the spring, but in general remained above prices of a year earlier. In part this reflects the usual reaction to the seasonal increase in supplies. Marketings were from areas which had not been seriously affected by adverse weather in late March. The downturn in prices of fresh vegetables is expected to at least be halted during May, when the effects of the unfavorable early-spring weather on supplies are likely to be most pronounced. A seasonal decline in vegetable prices may occur during June. For the spring season as a whole, prices received by growers for fresh vegetables are expected to average at least equal to those of a year earlier.

According to indications as of May 1, the total crop of fresh vegetables to be harvested this spring is expected to be 4 percent smaller than a year earlier, but about 8 percent above the 1949-53 average. In large part, the output reduction from last spring is the result of unfavorable growing conditions in the South Central and Southeastern States during the winter and early spring.

Among the important fresh vegetables, larger spring crops than last year are in prospect for asparagus, carrots, and onions. A substantially smaller tonnage of cabbage, celery, cucumbers, and watermelons are expected this spring. Slight reductions are in prospect for snap beans, cauliflower, sweet corn, lettuce, and tomatoes.

Summer acreage indications are available for several vegetables. The acreage of cabbage and cantaloups is expected to be a little smaller than last summer, but that of carrots, garlic, onions, green peppers and watermelons will be up.

For Commercial Processing

With consumer demand about the same and supplies during the remainder of the 1954-55 marketing season lighter, retail prices of processed vegetables are expected to continue above those of a year earlier at least until heavy volume marketings of the 1955 packs begin during late summer and early fall. The size of the 1955 packs will depend largely on yields on the acreage planted to processing vegetables this year. Indications as of May 1 were that 3 percent fewer acres will be planted to 9 processing vegetables. The prospective

heavier acreage to be planted to beets, green peas, winter and early-spring spinach, and tomatoes are expected to be moderately more than offset by reductions for green lima beans, snap beans, sweet corn, pickling cucumbers, and in the acreage contracted for kraut cabbage. These 9 crops usually account for 93 percent of the planted acreage of the 11 vegetables for processing covered in the official reporting program.

POTATOES

According to indications as of May 1, the potato crop this spring is expected to be a little larger than a year earlier. Although the early-spring crop, marketing of which is currently close to the season's peak, is 3 percent smaller than in 1954, this reduction is expected to be a little more than offset by the prospective larger late-spring crop.

Prices received by growers for potatoes are expected to continue above a year earlier at least until marketing of the late-spring crop is well under way. Marketings for the 1955 spring potato crop are expected to continue later than usual until well into June. Unfavorable growing conditions in many of the winter and spring States retarded growth and delayed harvesting.

COTTON

The 1954 cotton crop was 13.6 million bales, compared with 16.4 million bales from the 1953 crop. The 1954 crop was harvested from 19.3 million acres, compared with 24.3 million for the 1953 crop.

The yield per harvested acre was a record 341 pounds. The previous high was 324.2 pounds per acre for the 1953 crop. The western States of Arizona, New Mexico, and California showed record high yields. Arizona had the highest yield of any State in the U. S. with 1,039 pounds per acre followed by California with 806 pounds. New Mexico was the third highest with 743 pounds. Florida was the only other cotton producing State showing a new record.

The value of the 1954 crop of cotton and cottonseed was 2,645 million dollars. This marked the first time since 1950 that the value dropped below 3 billion dollars. The value of the 1953 crop was 3,010 million dollars. The decrease in value was caused by the smaller crop.

To May 1 the average price received by farmers for all cotton from the 1954 crop was 33.7 cents per pound. This compares with 32.25 cents for the entire 1953 crop.

Prices for upland cotton have been close to support prices since February. The average 14 spot market price for Middling, 15/16 inch cotton in April was below the average support price for this quality at these markets for the first time in the current season. The average April price on these markets was 33.38 cents per pound and the average support price is 33.46 cents. On May 18, the average price at the 14 spot markets was 33.66 cents per pound. The average April price at the 10 spot markets was below that of a year earlier, 33.59 and 34.19 cents per pound, respectively. (The 14 spot market average is not available for the 1953-54 season so the 10 spot market average is used for comparison.)

Exports of cotton in March 1955 were below a year earlier for the second consecutive month. They amounted to approximately 369 thousand running bales, compared with about 430 thousand a year earlier. If exports continue to lose ground during the April-July period, the carry-over on August 1, 1955 may be above 10.5 million bales. This would be the first time that the carryover exceeded 10 million bales since 1945 when it was 11.2 million bales.

Stocks of cotton held by CCC (owned and pledged as collateral against outstanding loans) amounted to about 8.5 million bales on May 6. Approximately a year earlier about 7.7 million bales were held by CCC. CCC held stocks have varied very little since April 8. The peak in CCC held stocks was reached on January 28 when they amounted to 8.7 million bales.

WOOL

Early in May, prices of most wools in both foreign and domestic markets were slightly lower than a month earlier. Prices of most cross-bred wools were only slightly lower than a year earlier, but declines for merino wools ranged up to as much as 35 cents per pound, clean basis, or 20 percent. The generally lower prices in world markets reflect the slightly larger supply and easier demand.

The average of prices received by U. S. growers for shorn wool at mid-April, the first month of the current marketing season, was 48.7 cents per pound, grease basis, 4.9 cents lower than a year earlier. The decline largely reflects the manner in which growers' returns are being supported. Since support this year is being provided through payments instead of loans, prices of domestic wools reflect world supply and demand conditions and seek their own level under current tariff protection. The support level under the current program is 8.8 cents higher than under the 1954 program. After the close of the marketing season, the individual producer will receive a payment based on the percentage of the average price received by all producers needed to bring this average up to the support level.

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Present minimum selling prices (103 percent of 1954 loan rates plus selling commissions) for CCC-owned wool will be continued until November 1. The prices apply to CCC holdings of wool taken over under the 1952 and 1953 price-support programs and to any wool taken over this spring under the 1954 program. A total of 45.4 million pounds of wool serving as security on 1954 program loan notes not repaid on April 30 was offered for sale through May 14 at the best price obtainable but not lower than the principal amount of the loan note plus interest and charges. Wool for which no offers were received or for which prices offered were below this minimum will be taken over by CCC.

The rate of U. S. mill use of apparel wool during March was about 4 percent below that of the previous month but 11 percent above that of March 1954. The total for the first 3 months was about 13 percent above that of early 1954. Mills used about 5 percent more carpet wool during the first quarter than in early 1954.

Imports of dutiable wool during the first 2 months were up about one-fourth from a year earlier while imports of duty-free wools were up about 5 percent.

TOBACCO

Auctions for the 1954 Maryland tobacco crop opened on May 3. Market prices for sales through May 17 averaged 46 cents per pound—about 12 cents less than in the corresponding period of last season. Practically all grade prices were lower. The 1954 crop estimated at 42-1/2 million pounds is 5 percent larger than the 1953 crop. On April 1, stocks of Maryland tobacco in the hands of dealers and manufacturers totaled 60 million pounds—4 percent above a year earlier. Government price support is not available for the 1954 or 1955 crops since growers disapproved marketing quotas. According to March 1 planting intentions, Maryland growers will have a 2-percent smaller acreage this year. Domestic cigarette manufacture is the major outlet for Maryland tobacco but exports are an important part of the market.

During the first quarter of 1955, cigarette manufacture was 4.7 percent above the low first quarter figure of 1954. Cigar output during January-March 1955 was about 2 1/2 percent lower than in the same months of a year earlier but manufactured smoking tobacco and snuff increased 5 and 3 percent, respectively. First quarter 1955 output of chewing tobacco was down a little.

Burley growers in a record turnout approved the redetermined 1955 Burley quota in a special referendum held April 28. About 96 percent voted in favor of the further cutback. Under the redetermination, the 1955 national acreage allotment for Burley will be about 24 percent less than harvested acreage in 1954. Before the redetermination, the 1955

Burley allotment would have been about 7 percent smaller than in 1954. Due to large carryover stocks and the extremely big 1954 crop, for which marketing was completed in February 1955, Burley supplies are large in relation to disappearance. Since Burley growers approved the redetermined quota, price support for the 1955 crop will be supported at 90 percent of parity. Excess marketings of all kinds of tobacco under quota will be penalized at 75 percent of the preceding season's average price. The penalty rate applicable to the 1955 Burley crop is 37 cents per pound.

During July 1954-March 1955 the total quantity of unmanufactured tobacco exported was 5 percent larger than in the comparable period of 1953-54. Flue-cured, accounting for over four-fifths of the total, was up only slightly but fairly sharp increases occurred in exports of Burley, fire-cured and dark air-cured tobaccos. Exports of Maryland tobacco also showed a moderate increase during the period.

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